

No. 13-255

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In the  
**Supreme Court of the United States**

WILD TANGENT, INC.,

PETITIONER,

v.

ULTRAMERCIAL, LLC, et al.,

RESPONDENTS.

On Petition for a Writ of Certiorari to the  
United States Court of Appeals for the Federal Circuit

**BRIEF OF GOOGLE INC., HEWLETT-PACKARD  
CO., HOMEAWAY, INC., RED HAT, INC., AND  
ZYNGA INC. AS *AMICI CURIAE* IN SUPPORT OF  
PETITIONER**

ADAM M. CONRAD  
KING & SPALDING LLP  
100 N. Tryon St., Suite 3900  
Charlotte, NC 28202  
(704) 503-2600

DARYL L. JOSEFFER  
*Counsel of Record*  
KAREN F. GROHMAN  
KING & SPALDING LLP  
1700 Pennsylvania Ave. NW  
Washington, DC 20006  
(202) 737-0500  
djoeffe@kslaw.com

*Counsel for Amici Curiae*

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## TABLE OF CONTENTS

INTEREST OF <i>AMICI CURIAE</i> .....	1
INTRODUCTION AND SUMMARY OF ARGUMENT .....	2
REASONS FOR GRANTING THE PETITION.....	5
I. THE COURT OF APPEALS’ DECISION CONFLICTS WITH <i>MAYO</i> .....	5
A. The Court Of Appeals’ First Decision Leaves No Doubt That The Asserted Patent Claim Is Unpatentable Under <i>Mayo</i> . ....	5
B. The Court Of Appeals’ Rationale For Upholding The Patent Claim Directly Conflicts With The Legal Standard This Court Articulated In <i>Mayo</i> . ....	8
C. The Court Of Appeals Rejected This Court’s Understanding Of The Important Role Played By Section 101. ....	12
II. THE COURT OF APPEALS’ DECISION SANCTIONS INNOVATION-BLOCKING PATENTS THAT IMPAIR AND TAX GENUINE INNOVATION. ....	15
III. THE COURT OF APPEALS’ ADOPTION OF PROCEDURAL BARRIERS THAT WOULD MAKE SECTION 101 TOOTHLESS HEIGHTENS THE NEED FOR THIS COURT’S REVIEW. ....	18
A. Patent Eligibility Can And Should Be Resolved At The Outset Of Most Cases. ....	19

B. There Is No Valid Reason To Apply A Heightened Burden Of Proof On This Legal Question. ....	21
CONCLUSION .....	23

## TABLE OF AUTHORITIES

### Cases

<i>Accenture Global Servs. v. Guidewire Software, Inc.</i> , ___ F.3d ___, 2013 WL 4749919 (Fed. Cir. 2013) .....	3, 10, 11, 12
<i>Addington v. Texas</i> , 441 U.S. 418 (1979) .....	22
<i>Ass’n for Molecular Pathology v. Myriad Genetics, Inc.</i> , 133 S. Ct. 2107 (2013) .....	<i>passim</i>
<i>Ass’n for Molecular Pathology v. PTO</i> , 653 F.3d 1329 (Fed. Cir. 2011) .....	21
<i>Ass’n for Molecular Pathology v. PTO</i> , 689 F.3d 1303 (Fed. Cir. 2012) .....	20
<i>Bancorp Servs. v. Sun Life Assur. Co. of Can.</i> , 687 F.3d 1266 (Fed. Cir. 2012) .....	12
<i>Bilski v. Kappos</i> , 130 S. Ct. 3218 (2010) .....	<i>passim</i>
<i>Branson Sch. Dist. RE82 v. Romer</i> , 161 F.3d 619 (10th Cir. 1998) .....	22
<i>CLS Bank Int’l v. Alice Corp. Pty. Ltd.</i> , 685 F.3d 1341 (Fed. Cir. 2012) .....	14
<i>CLS Bank Int’l v. Alice Corp. Pty. Ltd.</i> , 717 F.3d 1269 (Fed. Cir. 2013) ( <i>en banc</i> ) .....	<i>passim</i>
<i>Eon-Net LP v. Flagstar Bancorp</i> , 653 F.3d 1314 (Fed. Cir. 2011) .....	21

<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.</i> , 535 U.S. 722 (2002).....	3
<i>Funk Bros. Seed Co. v. Kalo Inoculant Co.</i> , 333 U.S. 127 (1948).....	14
<i>Gottschalk v. Benson</i> , 409 U.S. 63 (1972).....	7, 10, 11
<i>In re Comiskey</i> , 554 F.3d 967 (Fed. Cir. 2009) .....	20
<i>In re Winship</i> , 397 U.S. 358 (1970).....	22
<i>JEM Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.</i> , 534 U.S. 124 (2001).....	7
<i>KSR Int’l Co. v. Teleflex, Inc.</i> , 550 U.S. 398 (2007).....	23
<i>Lear, Inc. v. Adkins</i> , 395 U.S. 653 (1969).....	23
<i>Markman v. Westview Instruments, Inc.</i> , 517 U.S. 370 (1996).....	20
<i>Mayo Collaborative Servs. v. Prometheus Labs., Inc.</i> , 132 S. Ct. 1289 (2012).....	<i>passim</i>
<i>Microsoft Corp. v. i4i Ltd. P’ship</i> , 131 S. Ct. 2238 (2011).....	22
<i>Newell Cos., Inc. v. Kenney Mfg. Co.</i> , 864 F.2d 757 (Fed. Cir. 1988) .....	22
<i>O’Reilly v. Morse</i> , 56 U.S. (15 How.) 62 (1853).....	7

<i>Parker v. Flook</i> , 437 U.S. 584 (1978) .....	7, 8, 10, 14
<i>SiRF Tech., Inc. v. ITC</i> , 601 F.3d 1319 (Fed. Cir. 2010) .....	12
<i>SSIH Equip. S.A. v. ITC</i> , 718 F.2d 365 (Fed. Cir. 1983) .....	22

### **Other Authorities**

Allison, John R., et al., <i>Patent Litigation and the Internet</i> , 2012 Stan. Tech. L. Rev. 3 .....	17
Bessen, James & Meurer, Michael J., <i>Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk</i> (2008) .....	16, 17
Bessen, James, et al., <i>Private and Social Costs of Patent Trolls</i> , 34 Regulation 26 (2011) .....	17
Chien, Colleen & Karkhanis, Aashish, <i>Software Patents &amp; Functional Claiming</i> (Feb. 12, 2013) .....	18
Dep't of Commerce, <i>Patent Reform: Unleashing Innovation, Promoting Economic Growth &amp; Producing High-Paying Jobs</i> (Apr. 13, 2010) .....	16
Fed. Trade Comm'n, <i>The Evolving IP Marketplace</i> (Mar. 2011) .....	16, 17

Gov't Accountability Office, <i>Intellectual Property: Assessing Factors that Affect Patent Infringement Litigation Could Help Improve Patent Quality</i> (Aug. 2013) .....	17
Graham, Lorie & McJohn, Stephen, <i>Thirty-Two Short Stories About Intellectual Property</i> , 3 Hastings Sci. & Tech. L.J. 1 (2011) .....	8
Lemley, Mark A., et al., <i>Life After Bilski</i> , 63 Stan. L. Rev. 1315 (2011).....	15, 16
Love, Brian J., <i>Why Patentable Subject Matter Matters for Software</i> , 81 Geo. Wash. L. Rev. Arguendo 1 (2012).....	21
Patent Freedom, <i>The Growing Use of Business Method Patents in NPE Litigation</i> (Sept. 4, 2013) .....	18
RPX Corp., <i>Tracking PAE Activity</i> (Jan. 23, 2013).....	17

## INTEREST OF *AMICI CURIAE*<sup>1</sup>

*Amici* are innovative leaders in a variety of high-technology fields, including online search, advertising, commerce, collaboration, social networking, gaming, open source software, web hosting, computing, and related products and services. Their products are used by everyday citizens, Wall Street investment firms, hundreds of Fortune 500 companies, and the United States government. Having obtained a number of patents based on their own extensive research and development efforts, and having also had to defend against claims of patent infringement, *amici* support a high-quality patent system that rewards rather than impedes innovation.

Google Inc. participated as an *amicus* the last time this case came before this Court. Google's subsidiary YouTube, LLC, was previously a defendant in this case before the parties stipulated to its dismissal in the district court. None of the other *amici* have ever been parties to this case.

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<sup>1</sup> Counsel for all parties received the ten-day notice required by this Court's Rule 37.2(a) and consented to the filing of this brief. No counsel for any party authored this brief in whole or in part, and no person or entity, other than *amici* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief.



## INTRODUCTION AND SUMMARY OF ARGUMENT

This one cannot wait. The scope of patentable subject matter is exceptionally important, as shown by this Court's recent consideration of the patent eligibility of business methods, medical methods, and biological discoveries. *See Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012); *Bilski v. Kappos*, 130 S. Ct. 3218 (2010).

The limits on patentable subject matter are at least as important for computer-related patents. An increasing number of such patents amount to no more than describing an abstract idea and saying to perform it on a computer or over the Internet—without providing any of the specifics that transform abstract ideas into patentable inventions. Such patents leave to others the truly inventive work of developing useful applications of the idea. Far from promoting innovation, they impair it by granting exclusive rights over the abstract idea itself.

The Federal Circuit recognizes the importance of this issue but is unable to resolve it. After Federal Circuit panels divided on how to apply this Court's patent-eligibility jurisprudence to computer-implemented inventions, the *en banc* court granted review to resolve that question, but then split down the middle without producing a majority opinion. *See* Pet. 9-10; *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269 (Fed. Cir. 2013) (*en banc*).

Since then, panels have gone their own ways. For example, a divided panel recently invalidated a

computer-related patent after concluding that the patent did not contain the “substantive limitations” that this Court has required to “narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not cover the full abstract idea itself.” *Accenture Global Servs. v. Guidewire Software, Inc.*, \_\_ F.3d \_\_, 2013 WL 4749919, at \*4 (Fed. Cir. 2013) (internal quotation marks omitted). In contrast, the panel below refused to apply that standard and held that computer-related inventions are almost always patent eligible merely because they are computer-related. *See* Pet. App. 29a-34a.

In light of this entrenched division, further “percolation” of the issue would not produce more development or clarity in the Federal Circuit’s jurisprudence. It would only perpetuate the existing chaos and uncertainty, as numerous Federal Circuit judges have recognized. *See CLS Bank*, 717 F.3d at 1277 (opinion of Lourie, J.); *id.* at 1300 n.3 (opinion of Rader, C.J.); *id.* at 1321 (opinion of Newman, J.); *id.* at 1332-33 (opinion of Linn and O’Malley, JJ.); Pet. App. 21a n.1. Until this Court acts, no one will know even the threshold legal standard for assessing a patent’s eligibility until the parties have litigated the case to completion in the district court, fully briefed it in the Federal Circuit, and found out on the day of the oral argument which judges will hear their case. By increasing litigation risks and costs, such uncertainty deters the very innovation the patent laws are supposed to encourage. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730-31 (2002).

This case presents an excellent vehicle for resolving this untenable situation. The court of

appeals' first decision in this case leaves no doubt that, under this Court's subsequent decision in *Mayo*, the asserted patent claim is not patentable subject matter. As the court of appeals explained, the claim takes an "abstract idea"—showing an advertisement before protected content—and recites applying it over the Internet without "specify[ing] a particular mechanism" for doing so. Pet. App. 49a, 51a. Notwithstanding the claim's "breadth and lack of specificity," the court held that the claim is patentable because it is broken into a number of steps and limited to a particular technological environment (computers). *Id.* at 49a-51a. *Mayo* and other decisions of this Court rejected those very rationales because they impose no meaningful limitations on an abstract idea. *E.g.*, *Mayo*, 132 S. Ct. at 1297-98.

On remand from this Court for further consideration in light of *Mayo*, the panel reiterated the reasoning this Court had already rejected and raised the stakes by fashioning novel roadblocks to a timely and fair resolution of patent eligibility. The court held, for example, that motions to dismiss on this ground should routinely be denied as a matter of prudent use of "judicial resources," and that patent ineligibility must be proven by a heightened standard—clear and convincing evidence—even though the same panel had previously recognized that patent eligibility is a question of law, not fact. Pet. App. 4a, 8a. The court, in other words, responded to this Court's directive to apply a more *restrictive* approach to patentable subject matter by making its jurisprudence considerably more *lenient*.

The court of appeals' imposition of novel procedural impediments to Section 101 defenses is extremely important in its own right because it encourages district courts to treat Section 101 as a disfavored dead end. This Court should grant review to confirm the legal standard for determining the patent eligibility of all methods, including computer-implemented ones, and to clear the path for straightforward adjudication of this issue going forward.

## **REASONS FOR GRANTING THE PETITION**

### **I. THE COURT OF APPEALS' DECISION CONFLICTS WITH *MAYO*.**

Direct conflicts with this Court's decisions are rare, but no matter how one looks at it, this is one of them. The panel acknowledged the key predicates for patent ineligibility under *Mayo*; nonetheless held the claim patent eligible based on rationales this Court rejected; and candidly challenged this Court's jurisprudence. One of the panel members even acknowledged that the court had not "follow[ed] the Supreme Court's most recent guidance regarding patent eligibility in *Mayo*," and instead followed its "independent views." Pet. App. 36a-37a.

#### **A. The Court Of Appeals' First Decision Leaves No Doubt That The Asserted Patent Claim Is Unpatentable Under *Mayo*.**

This Court has repeatedly held that an "abstract idea, law of nature, or mathematical formula" may not be patented, even if dressed up as a series of steps in the form of a "process." *Bilski*, 130 S. Ct. at

3230-31; *see also Myriad*, 133 S. Ct. at 2116; *Mayo*, 132 S. Ct. at 1297. An *application* of an abstract idea or natural law may be patentable. *See Mayo*, 132 S. Ct. at 1294. But to cross the line from an unpatentable abstract idea to a patentable application, a patent claim must “contain other elements or a combination of elements, sometimes referred to as an ‘inventive concept,’ sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the” unpatentable subject matter. *Id.*

In *Mayo*, this Court identified four guideposts for determining whether, in substance, a patent claim amounts to significantly more than an abstract idea: (1) adding conventional or obvious steps is insufficient to confer patentable subject matter, *see id.* at 1294, 1298, 1299; (2) adding general and non-specific steps that do not significantly limit the claim’s scope is insufficient, *see id.* at 1300, 1302; (3) limiting an idea to a particular technological environment is insufficient, *see id.* at 1294, 1297; and (4) claims that fail the machine-or-transformation test are likewise dubious, *see id.* at 1296, 1303.

These criteria focus on the generality and breadth of a claim by requiring that it be sufficiently specific and limited to be considered a patent-eligible application. By providing “practical assurance” that a claimed “process is more than a drafting effort designed to monopolize” an abstract idea, *id.* at 1297, the *Mayo* analysis ensures that a patent’s relative contribution to human knowledge justifies the extent to which it forecloses the field. *See id.* at

1301-02; *Bilski*, 130 S. Ct. at 3230; *O'Reilly v. Morse*, 56 U.S. (15 How.) 62, 113 (1853).

*Mayo* governs the patent eligibility of all inventions, including computer-implemented ones. Because Congress “designed [Section 101] to encompass new and unforeseen inventions,” its plain language treats all technologies alike. See *JEM Ag Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*, 534 U.S. 124, 135 (2001). For that reason, *Mayo* itself relied on decisions of this Court holding that various computer-related inventions were not patentable subject matter. See 132 S. Ct. at 1293 (citing *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972); *Parker v. Flook*, 437 U.S. 584, 590 (1978)). As this Court explained, “patent law’s general rules must govern inventive activity in many different fields of human endeavor.” *Id.* at 1305.

Under *Mayo*, this is an easy case. The panel acknowledged that: (i) the patent’s core idea—showing an advertisement before delivering content—“is abstract, just as the vague, unapplied concept of hedging proved patent-ineligible in *Bilski*,” Pet. App. 49a; and (ii) the claim fails to “specify a particular mechanism” for implementing that abstract idea over the Internet. *Id.* at 51a. In other words, the claim contains no significant limitations related to *how* a computer implements the abstract idea. Nor does it set forth any computer programming techniques or hardware for doing so. The patent applicants simply claimed the abstract idea on the Internet without doing the truly inventive work of developing and disclosing an actual, specific way of applying that idea.

**B. The Court Of Appeals’ Rationale For Upholding The Patent Claim Directly Conflicts With The Legal Standard This Court Articulated In *Mayo*.**

Unable to identify anything that ensures the claim does not amount to a patent on an abstract idea, the panel relied on two rationales—that the claim is written as a series of steps and is restricted to a particular technological environment—that this Court has rejected.

The court of appeals first emphasized that the claim contains a number of steps and sub-steps. *Id.* at 33a. But writing a claim in the form of a series of steps, and doing so in verbose fashion, does not change its substance. *Every* patent this Court has struck down under Section 101 was drafted as a series of steps containing various limitations because that is how patents are written. *E.g.*, *Mayo*, 132 S. Ct. at 1296; *Bilski*, 130 S. Ct. at 3223-24; *Flook*, 437 U.S. at 585-86. Those limitations did not save the claims because Section 101 is not a drafting game; courts must focus on the substance, not form, of the patent claim. *Mayo*, 132 S. Ct. at 1294. Otherwise, Section 101’s limitation on patentable subject matter would be easily evaded. *Id.*<sup>2</sup>

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<sup>2</sup> Exempting lengthy claims from Section 101 scrutiny would also encourage vague, elliptical claim writing, which is itself a major problem with many software patents. *See, e.g.*, Lorie Graham & Stephen McJohn, *Thirty-Two Short Stories About Intellectual Property*, 3 Hastings Sci. & Tech. L.J. 1, 44 (2011).

The patent claim at issue simply breaks the abstract idea into its constituent parts: (1) “receiving” content; (2) “selecting” an advertisement; (3) “providing” the content; (4)-(6) “restricting” access to the content unless a user agrees to watch an advertisement; (7) “facilitating the display” of the advertisement; (8)-(9) “allowing” access to the content if the advertisement is not interactive or requiring interaction first if it is; (10) “recording” what happened; and (11) “receiving payment” from the advertiser. Pet. App. 2a-3a. Far from being innovative, specific, or meaningfully limiting, those conventional steps are the things one would obviously and necessarily do to trade third-party advertising for content over the Internet. Such general and trivial limitations give no “practical assurance” that a claimed “process is more than a drafting effort designed to monopolize” an abstract idea rather than an application of that idea. *Mayo*, 132 S. Ct. at 1297; *Bilski*, 130 S. Ct. at 3230; *see also Myriad*, 133 S. Ct. at 2116.

The court of appeals did not directly dispute that crucial point. Instead, it chastised the district court for supposedly “strip[ping] away the limitations and instead imagin[ing] some ‘core’ of the invention.” *See* Pet. App. 30a. The court of appeals thereby criticized the district court for doing exactly what this Court has required—looking to the substance of a claim, rather than its form or token limitations, in assessing patent eligibility.

The court of appeals also emphasized that the claimed “method [must] be performed through computers, on the internet, and in a cyber-market environment.” *Id.* at 30a, 49a. This Court has



repeatedly held, however, that restricting an abstract idea to a particular technological environment does not make it patent eligible. *See, e.g., Mayo*, 132 S. Ct. at 1294, 1297. Indeed, the invalid claim in *Benson* was limited to a computerized environment, and the invalid claims in *Flook* likewise covered an algorithm. *See Benson*, 409 U.S. at 65; *Flook*, 437 U.S. at 586. A claim limited to a *particular* computer implementation might or might not be patentable subject matter. But claims that simply recite an abstract idea in a specific technological environment are not because, within that environment, the idea remains abstract. The ubiquity of computers in modern life and commerce makes it especially important not to treat a general recital that a claim is *somehow* implemented on a computer, without any disclosure or limitation as to *how*, as an end-run around the limits on patent eligibility. *See Accenture*, 2013 WL 4749919, at \*8-9.

The court of appeals' observation that some of the claim steps presumably require complex computer programming, Pet. App. 29a-30a, 49a-50a, only underscores the patent claim's inadequacy because the claim does not disclose or limit itself to any such programming. In *any* computer-implemented method, programming is required, and the programming will likely be "complex" at least to those who are not skilled in the field of computer programming. But that does not mean that all computer-implemented methods are patent eligible, as explained above. Because programming is no different from any other aspect of a patent claim, it could make a claim eligible for patenting only if it:

(i) added a significant, innovative aspect to an otherwise abstract idea; and (ii) were included in (and thereby limited) the claim. *See Mayo*, 132 S. Ct. at 1294, 1297; *Accenture*, 2013 WL 4749919, at \*8-9.

That is not the case here. Instead of claiming a specific way of implementing the claimed method through computer programming, the patent broadly and non-specifically claims *all* ways of applying the idea, known or unknown, conventional or inventive. *See* Pet. App. 35a (acknowledging the claim’s “breadth and lack of specificity”). To the extent that the required programming implicates novel programming methods, the patent does not teach them. On the other hand, to the extent that the programming requires only the ordinary knowledge of computer programmers, it calls for well-understood, routine, conventional activity—precisely what *Mayo* held to be insufficient. *See CLS Bank*, 717 F.3d at 1282-83 (opinion of Lourie, J.). By claiming broadly while leaving any “complex” programming or other potentially inventive work to others, this patent simply claims the abstract idea, rather than a particular application of it. *See, e.g., Benson*, 409 U.S. at 68.

Finally, the court of appeals gave little weight to the machine-or-transformation test, questioning its relevance to Information Age patents. Pet. App. 14a-15a. By contrast, this Court held that the machine-or-transformation test, which looks to whether a patent claim recites a *particular* machine or transformation of matter, remains an important clue to patent eligibility. *See Mayo*, 132 S. Ct. at 1296, 1303. Under that test, the asserted claim is

ineligible for patenting because a mere reference to a general-purpose computer does not confer patentability. See, e.g., *Accenture*, 2013 WL 4749919, at \*7; *Bancorp Servs. v. Sun Life Assur. Co. of Can.*, 687 F.3d 1266, 1278 (Fed. Cir. 2012); *SiRF Tech., Inc. v. ITC*, 601 F.3d 1319, 1333 (Fed. Cir. 2010). Reciting a general-purpose computer indicates only that a claim is computer-implemented. Because it does not specify any particular computer implementation (any generic computer would suffice), such a recital adds nothing meaningful or inventive to the abstract idea.

**C. The Court Of Appeals Rejected This Court's Understanding Of The Important Role Played By Section 101.**

The court of appeals was candid about its view of *Mayo* and this Court's other Section 101 decisions. In the court of appeals' view, excluding *any* abstract ideas from patent eligibility is "in obvious tension with the plain language of the statute, its history, and its purpose." Pet. App. 9a, 11a. The court asserted that the "substantive" restrictions on patentability are set forth elsewhere in the Patent Act, such as in the novelty and non-obviousness requirements of Sections 102 and 103, leaving Section 101 with only a "limited role" as a "coarse eligibility filter." *Id.* at 9a, 10a, 35a, 44a. The court treated Section 101 as a disfavored requirement, *persona non grata* in the law, by "narrowly" construing the category of patent-ineligible abstract ideas to include only "manifestly" abstract ideas. *Id.* at 12a, 36a.

The court of appeals' denigration of Section 101 makes its conflict with this Court especially clear. This Court has long held that *all* abstract ideas are ineligible for patenting, not only "manifestly" abstract ideas. *See* pp. 5-6, *supra*. Indeed, any heightened burden runs the other way under *Mayo*. A patent claim must include "significantly more" than an abstract idea in order to give "practical assurance" that the claim is *not* ineligible for patenting. *Mayo*, 132 S. Ct. at 1294, 1297.

Significantly, *Mayo* specifically rejected the court of appeals' view that Section 101 should take a back seat to other requirements for patentability such as novelty and non-obviousness. *Id.* at 1303-04. The existence of some overlap between statutory requirements is no reason to jettison one of them. And the novelty and non-obviousness requirements are "not equipped to do" the important work of preserving the availability of the basic tools of scientific progress. *Id.* at 1304.

Indeed, treating Section 101 as a substantive requirement that cannot be evaded by the drafter's art is essential to prevent a divide-and-conquer strategy. Otherwise, a patent claim that merely recited an abstract idea in a computerized environment might survive scrutiny under each of the requirements for patentability. It could survive superficial Section 101 scrutiny by reciting routine and conventional patentable subject matter (such as general computer technology) in addition to an abstract idea. But then it might also survive the novelty and non-obviousness requirements on the ground that the abstract idea itself is novel, even though nothing else in the claim is. *See id.* Such

claims do not warrant patent protection because their only contribution to human knowledge is an abstract idea or natural law. *See id.*; *see also Myriad*, 133 S. Ct. at 2117.

Thus, the court of appeals' desire to eliminate any overlap between the different requirements for patentability is not a mere housekeeping matter concerning which section of the Patent Act to cite in the course of considering a patent's validity. To the contrary, the court of appeals would dismantle this Court's longstanding Section 101 jurisprudence, including not just *Mayo* but also cases like *Flook* and *Funk Brothers*, which invalidated patent claims under Section 101 because they contained no inventive limitations apart from an abstract idea or law of nature. *Flook*, 437 U.S. at 594-95; *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 132 (1948). If the court of appeals were correct that Section 101 and inventiveness are wholly distinct inquiries, those cases would have been wrongly decided. *Mayo* confirmed they were not. 132 S. Ct. at 1293-94.

There has been a suggestion that this Court's Section 101 jurisprudence has "failed." *See CLS Bank*, 717 F.3d at 1335 (additional reflections). If it has, the reason is that some Federal Circuit panels have not followed it, as other Federal Circuit judges have recognized. *See* Pet. App. 36a-37a (Lourie, J., concurring); *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 685 F.3d 1341, 1356 (Fed. Cir. 2012) (Prost, J., dissenting) (criticizing panel majority in similar case for "resist[ing] the Supreme Court's unanimous directive to apply the patentable subject matter test

with more vigor”), *vacated on reh’g*, 717 F.3d 1269. The remedy for that situation, of course, is *certiorari*.

## II. THE COURT OF APPEALS’ DECISION SANCTIONS INNOVATION-BLOCKING PATENTS THAT IMPAIR AND TAX GENUINE INNOVATION.

The limits on patentable subject matter are exceptionally important for computer-related inventions, and those inventions in turn are exceptionally important to our computer-age economy. As *amici* and other innovators recognize, it is easy to think of abstract ideas about what an Internet website or computer might do. The difficult, valuable, and often groundbreaking part comes next: designing, analyzing, building, and deploying the interface, software, and hardware to implement that idea in a way that is useful in daily life.

As this Court has emphasized, “the underlying functional concern is a *relative* one: how much future innovation is foreclosed relative to the contribution of the inventor.” *Mayo*, 132 S. Ct. at 1303. By claiming a familiar idea when done on a computer or over the Internet, without more, the asserted claim and others like it add little if anything to human knowledge while broadly foreclosing future development by others.

“At their limit,” patents on such abstract ideas “claim everything and contribute nothing.” Mark A. Lemley et al., *Life After Bilski*, 63 Stan. L. Rev. 1315, 1338 (2011). “By requiring that patent claims be limited to a specific set of practical applications of an idea, the abstract ideas doctrine both makes the scope of the resulting patent clearer and leaves room

for subsequent inventors to improve upon—and patent new applications of—the same basic principle.” *Id.* at 1317. That space for innovation is critical to *amici*, their industries, and consumers.

Threatened by claims on this and similar patents, however, online innovators face a choice of gambling on litigation or paying license fees for technology they already paid once to develop independently. Either path imposes significant costs that effectively tax innovation. Patent suits are extraordinarily expensive to litigate and subject to material uncertainty. Dep’t of Commerce, *Patent Reform: Unleashing Innovation, Promoting Economic Growth & Producing High-Paying Jobs* 5-6 (Apr. 13, 2010), [http://www.commerce.gov/sites/default/files/documents/migrated/Patent\\_Reform-paper.pdf](http://www.commerce.gov/sites/default/files/documents/migrated/Patent_Reform-paper.pdf) (“DOC Report”). But if a company decides to negotiate a license to avoid the risk and cost of litigation, the patentee can use the innovator’s sunk costs “as negotiating leverage for a higher royalty than the patented technology could have commanded *ex ante*.” Fed. Trade Comm’n, *The Evolving IP Marketplace* 8 (Mar. 2011), <http://www.ftc.gov/os/2011/03/110307patentreport.pdf> (“FTC Report”).

This is a serious problem. Low-quality patents in computer-related industries have become a scourge that raises costs and places a drag on innovation. One study found that patents in these industries have produced net litigation costs far in excess of the net profits derived from the patents themselves. James Bessen & Michael J. Meurer, *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk* 15-16, 144 (2008) (“Patent Failure”); *see also* DOC Report, *supra*, at 5.

Internet software patents are litigated eight times as often as other patents, and have accounted for about 46 percent of all patent lawsuits and 64 percent of the defendants in those suits between 2007 to 2011. John R. Allison et al., *Patent Litigation and the Internet*, 2012 Stan. Tech. L. Rev. 3 ¶ 39, <http://stlr.stanford.edu/pdf/allison-patent-litigation.pdf>; Gov't Accountability Office, *Intellectual Property: Assessing Factors that Affect Patent Infringement Litigation Could Help Improve Patent Quality* 21 (Aug. 2013), <http://www.gao.gov/assets/660/657103.pdf>.

Weak policing of Section 101 is a significant cause of this problem: “Why are software patents more frequently litigated? In a word, abstraction.” Patent Failure, *supra*, at 22.

The Federal Circuit’s willingness to credit such patent claims plays into the hands of patent-assertion entities (“PAEs”). PAEs obtain “overbroad, vague claims” they might assert against a broad range of activity, wait for others to do the hard work of developing applications—and then sue the real innovators. See FTC Report, *supra*, at 8-9, 50-51, 60-61. One study found that PAE suits were associated with “*half a trillion dollars* of lost wealth to defendants from 1990 through 2010.” James Bessen et al., *Private and Social Costs of Patent Trolls*, 34 Regulation 26, 26 (2011), <http://www.cato.org/pubs/regulation/regv34n4/v34n4-1.pdf> (emphasis added).

Lawsuits brought by PAEs have quadrupled since 2005 and now account for a majority of patent litigation. See RPX Corp., *Tracking PAE Activity* (Jan. 23, 2013), <http://www.rpxcorp.com/rpx-blog?month=1%2F1%2F2013>. The vast majority of these



cases—about 82%—involve software and internet patents. See Colleen Chien & Aashish Karkhanis, *Software Patents & Functional Claiming* 6 (Feb. 12, 2013), [http://www.uspto.gov/patents/init\\_events/software\\_ak\\_cc\\_sw.pdf](http://www.uspto.gov/patents/init_events/software_ak_cc_sw.pdf). Business method patents are also particularly susceptible to abuse. The number of companies facing such claims has grown 28% per year since 2004. See Patent Freedom, *The Growing Use of Business Method Patents in NPE Litigation* (Sept. 4, 2013), <http://www.patentfreedom.com/about-npes/blog/the-growing-use-of-business-method-patents-in-npe-litigation>. This litigation boom places a serious drag on the innovation economy.

The decision below facilitates such innovation-taxing patent traps by significantly weakening Section 101 as a meaningful check on the most overbroad and vague claims: patents on an abstract business method when applied “on an Internet website” or “with a computer.” Giving such claims almost carte blanche under Section 101, as the court of appeals did here, is not the answer to the problems posed by vague and overbroad patents in the high-tech sector.

### **III. THE COURT OF APPEALS’ ADOPTION OF PROCEDURAL BARRIERS THAT WOULD MAKE SECTION 101 TOOTHLESS HEIGHTENS THE NEED FOR THIS COURT’S REVIEW.**

As discussed above, the court of appeals’ failure to follow this Court’s precedents concerning the substantive standard for patent eligibility is reason enough to grant the petition. The court of appeals provided another reason by erecting, on remand from this Court, procedural roadblocks to a timely

and fair resolution of this question. Because those procedures would largely defeat Section 101, it is imperative that this Court review them along with the substantive standard for patent eligibility.

**A. Patent Eligibility Can And Should Be Resolved At The Outset Of Most Cases.**

According to the court of appeals, “it will be rare that a patent infringement suit can be dismissed at the pleading stage for lack of patentable subject matter.” Pet. App. 4a. The court stated that patent eligibility normally depends on findings of fact and interpretation of patent claims’ meaning, and that resolving Section 101 defenses on motions to dismiss would “not be a wise use of judicial resources.” *Id.* at 8a.

Patent eligibility is, however, a question of law for a court to decide. *See CLS Bank*, 717 F.3d at 1276 (opinion of Lourie, J.); *id.* at 1331 (opinion of Linn and O’Malley, JJ.). This Court has never treated the question as factual or deferred to district court determinations of patent eligibility. Indeed, in its first decision in this very case, the court of appeals recognized that the question is legal. Pet. App. 42a-43a. The court did not explain its change of view on remand; nor did it cite any legal authority for the proposition that patent eligibility turns on factual questions. *See id.* at 5a-6a.

The issues the court of appeals identified as being factual are simply aspects of the *legal* analysis. For example, there is nothing factual about “a search for limitations in the claims”; they are either apparent on the face of the patent or they do not exist. *Id.* at 5a. And “determining whether the

patent embraces a scientific principle or abstract idea” is the ultimate “legal determination.” *Id.* at 6a. Moreover, although formal claim construction (which itself is a question of law, see *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996)) might be needed to resolve Section 101 issues in a small number of cases, experience has shown that claim construction is unnecessary in the mine run of cases. The face of a patent typically reveals whether a claim includes the additional limitations required to convert an abstract idea into a patentable application. See *In re Comiskey*, 554 F.3d 967, 973 (Fed. Cir. 2009).

For those reasons, the “threshold” requirement and “screening” device of Section 101 (*Mayo*, 132 S. Ct. at 1303)—which Congress placed at the beginning, not the end, of the Patent Act—is well suited to resolution at the outset of most cases. Even in a case with as complicated a factual background as *Association for Molecular Pathology*, for example, this Court found claims ineligible under Section 101 without any discovery ever having been conducted. 133 S. Ct. 2107; see *Ass’n for Molecular Pathology v. PTO*, 689 F.3d 1303, 1324 (Fed. Cir. 2012).

Early resolution of patent eligibility is important because much of the harm from low-quality computer-related patents takes the form of litigation expenses and cost-of-litigation settlements. Deferring Section 101 rulings would unnecessarily subject defendants to lengthy, expensive discovery related to infringement, invalidity, enforceability, damages, entitlement to equitable relief, and other issues. It would also prolong litigation of those

issues through the summary judgment stage and potentially a trial. *Cf. Ass'n for Molecular Pathology v. PTO*, 653 F.3d 1329, 1379-80 (Fed. Cir. 2011) (Bryson, J., concurring in part and dissenting in part), *rev'd*, 133 S. Ct. 2107.

Many companies already pay substantial sums to settle meritless cases because their litigation expenses would exceed the plaintiff's settlement demand. *See, e.g.,* Brian J. Love, *Why Patentable Subject Matter Matters for Software*, 81 Geo. Wash. L. Rev. Arguendo 1, 9-10 (2012), [http://www.gwlr.org/wp-content/uploads/2012/09/Love\\_Arguendo\\_81\\_1.pdf](http://www.gwlr.org/wp-content/uploads/2012/09/Love_Arguendo_81_1.pdf). Indeed, discovery costs alone have become a powerful incentive for some patent plaintiffs to file strike suits for quick settlements. *See Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1327 (Fed. Cir. 2011).

Prompt resolution of Section 101 disputes would enable defendants to nip such suits in the bud without having to wade through discovery and other proceedings on all of the other issues in the case. In contrast, delay in resolving Section 101 defenses would increase the nuisance value of settlement, deter product development, and burden the district courts unnecessarily.

**B. There Is No Valid Reason To Apply A Heightened Burden Of Proof On This Legal Question.**

The court of appeals also held on remand that a defendant must prove patent eligibility by clear and convincing evidence. Pet. App. 4a-5a. This Court has never imposed that heightened burden on

Section 101 defenses for the simple reason that this is a legal, not factual, question. *See* pp. 19-20, *supra*.

As Justice Breyer recently opined for three Justices, the clear-and-convincing-evidence standard is a “standard of proof [that] applies to questions of fact and not to questions of law.” *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2253 (2011) (Breyer, J., concurring). Standards of proof “instruct the *factfinder* concerning the degree of confidence our society thinks he should have in the correctness of *factual* conclusions for a particular type of adjudication.” *Addington v. Texas*, 441 U.S. 418, 423 (1979) (emphases added) (quoting *In re Winship*, 397 U.S. 358, 370 (1970) (Harlan, J., concurring)). As its name suggests, therefore, “a standard of proof [does not apply] to a purely legal question.” *Branson Sch. Dist. RE82 v. Romer*, 161 F.3d 619, 636 n.15 (10th Cir. 1998). The Federal Circuit itself has found it “inappropriate to speak in terms of a particular standard of proof being necessary to reach a legal conclusion.” *SSIH Equip. S.A. v. ITC*, 718 F.2d 365, 375 (Fed. Cir. 1983); *see also Newell Cos., Inc. v. Kenney Mfg. Co.*, 864 F.2d 757, 767 (Fed. Cir. 1988).

The panel’s expansion in this case of the clear-and-convincing-evidence standard is important in its own right because overuse of that heightened standard—on Section 101 issues or any other issues that are properly viewed as legal—would be detrimental to innovation. “By preventing the ‘clear and convincing’ standard from roaming outside its fact-related reservation, courts can increase the likelihood that [alleged] discoveries or inventions will not receive legal protection where none is due.” *i4i*, 131 S. Ct. at 2253 (Breyer, J., concurring).

That is important because invalid patents “stifle, rather than promote, the progress of useful arts.” *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398, 427 (2007); accord *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969). Indeed, the patent system stimulates innovation by “not granting monopolies over procedures that others would discover by independent, creative application of general principles.” *Bilski*, 130 S. Ct. at 3228. There is no reason to force accused infringers to fight an uphill battle on legal issues under a clear-and-convincing-evidence standard.

\* \* \*

The pending petition in *CLS Bank*, No. 13-298, confirms the need for this Court’s guidance and provides another suitable vehicle for considering the patent eligibility of computer-related methods. No matter how the Court disposes of that petition, it should grant the petition in this case. The panel’s precedential decision on remand from this Court is wrong on both the substantive legal standard and the important procedural questions discussed above.

### CONCLUSION

For the foregoing reasons, this Court should grant the petition.

Respectfully submitted.

DARYL L. JOSEFFER  
*Counsel of Record*  
KAREN F. GROHMAN  
KING & SPALDING LLP  
1700 Pennsylvania Ave. NW  
Washington, DC 20006  
(202) 737-0500  
djoseffer@kslaw.com

ADAM M. CONRAD  
KING & SPALDING LLP  
100 N. Tryon St., Suite 3900  
Charlotte, NC 28202  
(704) 503-2600

*Counsel for Amici Curiae*

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